

AGREEMENT

THIS AGREEMENT, made and entered into this 18 day of May, 1981, by and between HYDRO CARBON MINING, INC., a Utah Corporation, hereinafter referred to as "HYDRO", and TARMAC CORPORATION, a Utah Corporation, hereinafter referred to as "TARMAC";

W I T N E S S E T H :

WHEREAS, TARMAC has obtained certain lease rights from the State of Utah to land on which are located deposits and veins of gilsonite; and

WHEREAS, HYDRO desires to mine and market said gilsonite under certain terms and conditions;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual covenants, conditions and promises hereinafter set forth, IT IS HEREBY AGREED between the parties, as follows:

1. TARMAC has good and valid leases on the following described real property and the gilsonite deposits thereon, which real property leases are described as follows, to-wit:

State of Utah Lease No. M.L. 32651 (Black Gnat) and

State of Utah Lease No. M.L. 34061 (Wild Horse),

including all mining equipment located thereon as listed in the attached Inventory;

all subject to Internal Revenue Service lien, if any.

2. TARMAC by this agreement, for good and valuable consideration, does grant to HYDRO the exclusive right to possession of the leased premises, and the right to mine gilsonite or other material of economic value, including the right of management to determine where, when and what products to mine and extract, and the quantity and quality to be placed on the market and the prices to be asked therefrom. HYDRO may also utilize the leased property for all lawful purposes.

3. Beginning the 18 day of May, 1981, and continuing for ten (10) consecutive years, HYDRO agrees to pay to holder or holders of the lease on said property an annual minimum royalty of twenty-five percent (25%) of net ^{profits} (after mining and transportation expenses and royalty costs to the State of Utah).

The basis for said payment shall be TARMAC's tonnage

and royalty reports to the State of Utah. All amounts so accrued to be paid will be paid forty-five (45) days after the end of the calendar month in which the gilsonite is mined.

4. HYDRA^{DB} will be allowed to operate under the restorative bond of FIVE THOUSAND DOLLARS (\$5,000.00) required by the State of Utah to facilitate the beginning of mining operations. All interest which accrues on the TARMAC bond will be retained by TARMAC and at termination of this agreement or upon release or refund of the bond, the bond shall be returned to TARMAC.

5. HYDRO agrees to develop and mine the property in good miner-like fashion.

6. HYDRO will comply with all state and federal laws and will file with the Division of Oil and Gas of the State of Utah all necessary forms and shall conform to all necessary request of that division. HYDRO shall also obtain the necessary permits from state and local governments and the State Land Board to permit mining operations.

7. HYDRO will comply with all regulations of the Bureau of Mines and the State of Utah with respect to the mining operations as the same are required in connection with gilsonite mining.

8. Failure or delays in the performance hereof by either party shall be excused if and so long as caused by acts of God or the elements, laws or governmental restrictions, labor disturbances, war or the results thereof, or any other cause, whether or not like those enumerated, which are beyond the reasonable control of the party whose performance is affected, it being understood that prevention or settlement of any strike or labor disturbance shall not be a matter within the control of either party.

9. It is distinctly understood and agreed that HYDRO is and shall be deemed and treated as an independent contractor while performing the terms and conditions of this Agreement, and shall in no way be considered an employee or agent of TARMAC. TARMAC also is and shall be deemed to be and treated as an independent contractor while performing the terms and conditions of this Agreement.

10. HYDRO shall and does hereby agree to indemnify and save TARMAC harmless against any and all injuries or damages to persons or property arising out of or in any manner connected with, or relating to the operations of HYDRO conducted pursuant to this Agreement, except only such injuries or damages resulting from TARMAC's sole negligence or intentional misconduct.

11. In addition to the royalty payments required to be made under paragraph 3 above, HYDRO agrees within one (1) year from the date of this Agreement to conduct the following development and exploration work on the properties:

(a) Either (1) extend Black Gnat mine shaft from 521 feet level to a 561 foot level; or (2) accomplish an exploratory drill program crossing gilsonite deposit line at 621 foot level; or (3) both the above, at HYDRO's option.

(b) Clean out Wild Horse shaft to examine vein surface.

12. TARMAC extends to HYDRO an option to purchase 850,000 shares, or any portion thereof, of TARMAC's capital stock at Ten Cents (\$0.10) per share; this option to be exercised by tender of payment of purchase price with written Notice of Option. Option shall be for one (1) year from the date of this Agreement.

13. Operations by HYDRO under this Agreement will not violate any federal, state or local laws or regulations, including air and water pollution standards. HYDRO expressly understands and agrees that it shall be solely responsible for compliance with such laws and regulations and settlement of any and all complaints resulting from alleged violation of federal, state or local laws and regulations.

14. It is agreed that should either party to this Agreement commit a material breach of the terms and conditions hereof, the injured party may give written notice of said breach by certified mail to the other party. If the breach is not corrected within sixty (60) days after said notice, this Agreement may be terminated by giving written notice of such termination by certified mail to the other party.

15. All notices required to be given hereunder shall be given by registered mail, postage prepaid, addressed as follows:

To HYDRO: 1675 N 200 West #9C
Provo, Utah 84601

To TARMAC: 245 Jimmy Doolittle Rd
Salt Lake International Center
Salt Lake City, Utah 84116

16. HYDRO must maintain during the terms of this Agreement the following insurance:

- (a) Statutory Workmen's Compensation Insurance for all employees of HYDRO.
- (b) All other insurance as may be required by federal, state or local laws.

17. This Agreement shall be valid for as long as the mineral leases from the State of Utah are valid and for any extensions thereof. TARMAC agrees to keep and faithfully perform all obligations on said leases and to apply for and obtain all legal and possible extensions. HYDRO's rights under this Agreement shall not be terminated except for cause.

18. In the event of termination, HYDRO shall have sixty (60) days within which to remove all its inventory and equipment from the premises.

19. TARMAC shall have the right to examine HYDRO's books relating to mining and production on reasonable notice.

20. In the event HYDRO exercises its option to purchase TARMAC stock, the funds received will be expended in the following priority:

- (a) Pay lease obligations to State of Utah;
- (b) Pay all taxes (I.R.S. and State of Utah);
- (c) Debt to FIRST SECURITY BANK; and
- (d) All other creditors, pro-rata.

21. This Agreement, together with any additional provisions which may be amended hereto, contains the entire understanding of the parties.

22. This Agreement shall bind and inure to the benefit of the parties hereto, their executors, administrators, legal representatives, successors or assigns.

23. This Agreement shall be governed and construed under the Laws of the State of Utah.

24. BOTH PARTIES SHALL TREAT THIS CONTRACT CONFIDENTIALLY, AND INFORMATION CONCERNING THIS CONTRACT SHALL BE MADE AVAILABLE ONLY TO THOSE PERSONS WHO REQUIRE THE SAME FOR THE PERFORMANCE OF THIS CONTRACT.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first above written.

TARMAC CORPORATION

By Robert T. Green
President

ATTEST:

Loren R. Pace
Secretary

HYDRO CARBON MINING, INC.

By Kenneth M. Holly
President

ATTEST:

Loren R. Pace
Secretary

STATE OF UTAH)
COUNTY OF Salt Lake ;

Before me, a Notary, personally appeared Robert T. Green and Loren R. Pace, who acknowledged to me that they are the President and Secretary of TARMAC CORPORATION, and that they signed the foregoing document in their official capacities, pursuant to a Resolution of the Board of Directors of TARMAC CORPORATION.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 18th day of May, 1981.

My commission expires:

8-19-84

Sandra Schocke
Notary Public

Residing at 5916 Sutton Circle
SLE, Utah

STATE OF Utah)
COUNTY OF Salt Lake) : ss.

Before me, a Notary, personally appeared Kenneth M. Woolley
and Loren D. Pace, who acknowledged to me that they are the
President and Secretary of HYDRO CARBON MINING, INC., and that they
signed the foregoing document in their official capacities, pursuant
to a Resolution of the Board of Directors of TARMAC CORPORATION.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this
18th day of May, 1981.

Andrea Schocker
Notary Public
Residing at 5916 Sultan Circle

My commission expires:

8-19-84